

Borders NHS Board**FINANCIAL MONITORING REPORT FOR THE 5 MONTH PERIOD TO 31st AUGUST 2014****Aim**

The aim of this paper is to report on the financial position to 31st August 2014.

Background

The attached report shows that the Board is reporting an outturn of £1.5m in excess of its revenue budget five months into the financial year. Although the current financial position is giving some cause for concern, the Board continues to forecast a year-end break even position. However the predicted outturn position will only be achieved if action is taken and sustained. Achievement of the financial position requires robust management, financial controls to be applied to operational budgets and delivery of the Board's efficiency programme.

The Board has consistently noted that persistent and proactive action is required to achieve its statutory targets based upon the financial plan. It is essential that local areas are fully engaged with this imperative and that strong controls are in place.

The report also includes details of expenditure to date against the Board's capital allocation for 2014/15.

Recommendation

The Board is asked to **note** the financial performance for the first five months of the financial year.

Policy/Strategy Implications	Impact on statutory financial targets
Consultation	Supporting reports have been presented to Clinical Boards and Budget Managers
Consultation with Professional Committees	N/A
Risk Assessment	Risks are covered in the risk section of the report
Compliance with Board Policy requirements on Equality and Diversity	Compliant
Resource/Staffing Implications	As described in the paper

Approved by

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1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	230.2	91.3	91.4	0.1
Expenditure	230.2	93.4	95.0	(1.6)
Surplus/(Deficit) for period	-	(2.1)	(3.6)	(1.5)
Capital Expenditure	3.6	1.2	1.2	-

- At 31st August 2014 the Board is reporting a position of £1.5m in excess of budget. Expenditure budgets are cumulatively overspent by £1.6m and income budgets are over-recovered by £0.1m. The rate of overspend has markedly reduced over the last two months as controls and actions are implemented.
- The key points to note in the month five position are:-
 - The Clinical Boards are reporting a combined overspend of £0.9m, within which the BGH is £1.2m overspent. The main BGH pressure areas continue to be medical staffing (£535k), nursing (£415k) and supplies (£197k). Although the rate of overspend reduced across nursing and supplies budgets, the BGH overspent by £0.2m in month due to medical staffing pressures. The Board Executive Team continues to monitor overall progress against agreed actions to minimise the level of overspend, whilst the Medical Staffing Overview Group is scrutinising options to cover medical staffing absence.
 - The External Healthcare Providers budget is reporting a £0.6m overspend, with the main pressure being UNPACS (£0.3m). The reported position is becoming more robust as the Board receives more actual patient activity information for 2014/15.
 - The GP Prescribing budget is reported as £0.2m overspent at the end of month five. This position is based on actual volume information for the first four months of the financial year and price data for the first three months. The key pressure is linked to the short supply of certain drugs.
 - Income budgets are over-recovered by £0.1m overall at the end of August. Within this position, other income (£0.1m) and corporate directorates (£0.1m) are over-recovered offset by a shortfall on external healthcare purchasers (£0.1m) linked to lower activity from Northumberland CCG.

- The Board approved a balanced financial plan for 2014/15 which set a break even outturn for the year and this assumes £4.6m of efficiency savings will be achieved. At the end of August, the Board has withdrawn efficiency savings of £3.4m from budgets. Of the £3.4m released the recurring element is £2.4m against a target of £2.1m.
- The Board is required to achieve a year end break-even position. In order to attain this outturn the Board must deliver its challenging efficiency programme and ensure that the organisation is focused on the financial outturn. This will be achieved through use of the Board's contingency, delivery of agreed actions to address the reported financial pressures and robust and proactive management of operational budgets.

2. Overall Income and Expenditure Summary

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income Resources				
Scottish Government	205.0	80.5	80.5	-
Family Health Services (incl non cash ltd)	9.6	4.0	4.0	-
External Healthcare Purchasers	5.2	2.1	2.0	(0.1)
Other	7.1	3.3	3.5	0.2
Clinical Boards	3.3	1.4	1.4	-
Total Income	230.2	91.3	91.4	0.1
Expenditure Resources				
Clinical Boards	127.6	54.3	55.2	(0.9)
External Healthcare Providers	28.1	11.7	12.3	(0.6)
Family Health Services	30.5	12.7	12.9	(0.2)
Corporate Directorates	32.3	13.0	12.9	0.1
Cost of Capital	3.8	1.7	1.7	-
Approved Funding Unallocated	8.8	-	-	-
Unapplied Efficiencies :				
Recurring	0.3	-	-	-
Non-recurring	(1.2)	-	-	-
Total Expenditure	230.2	93.4	95.0	(1.6)
Surplus/(Deficit) for period	-	(2.1)	(3.6)	(1.5)

- Income budgets are over-recovered by £0.1m at the end of August. Within this position, other income budgets are over-recovered by £0.2m through additional Road Traffic Accident income and the Corporate Directorates. This over-recovery is being partially offset by a pressure on the External Healthcare Purchasers budget due to lower activity from Northumberland CCG. The 2014/15 SLA with Northumberland remains unsigned as discussions continue between both organisations. There is also a risk to patient income from NHS Lothian, in relation to colonoscopy and orthopaedics as NHS Lothian has indicated they wish to terminate such agreements.

- The Clinical Boards are overspent by a total of £0.9m at the end of August. The main pressure area is the BGH with significant overspends across medical staffing (£535k), nursing (£415k) and various supplies budgets (£197k). The Medical Staffing Overview Group continues to review any medical cover for staff absence or vacancies is the most cost effective available. Nursing budgets continued to overspend in August (£23k) but the monthly rate of overspend continues to drop as the agreed actions and controls are implemented. The action plan linked to supplies budgets is also impacting positively on the reported position. The Executive Team continues to support and monitor the BGH Management Team in terms of its action plan to reduce the level of overspend whilst maintaining service delivery.
- The External Healthcare Provider overspend (£0.6m) relates to UNPACS (£0.3m), NHS Lothian Acute contract (£0.2m) and ECRs (£0.1m). A pressure is occurring within the NHS Lothian Acute contract as recent activity modelling undertaken by NHS Borders has indicated that the 2014/15 contract will be greater than that of 2013/14. The final contract sum will not be agreed until later this financial year. Due to the increased availability of actual patient activity the robustness of the reported position has increased.
- GP prescribing costs are reported as £0.2m overspent at the end of August based on three months financial information and volume data for the first four months. The budget continues to be adversely impacted by price increases linked to shortages of certain drugs. The MRG is closely monitoring these supply shortages so that cheaper, alternative drugs may be used where clinically appropriate.
- There are a number of underspends across Corporate Directorate Services, mainly through vacant posts, which is having a favourable impact on the overall financial position.
- At the end of August, the Board has £8.8m in approved funding unallocated. As part of the financial plan, the Board set aside contingencies of £2m for unforeseen pressures. In addition a number of areas for which funding was set aside in the financial plan or ring fenced funding has been received from the centre have not yet been allocated. This will be reviewed to identify if any funding can be utilised to support the overall financial position of the Board.

3. Overview of Capital Expenditure

	£m
Sources of Funds	
Gross Capital Resource Limit (CRL)	3.4
Income from Property Sales	0.2
Total Capital Resources	3.6
Use of Capital Funds	
Allocated to Approved Schemes	3.6
Uncommitted balance	0.0
Total utilisation of funds for 2014/15	3.6
Expenditure to Date	
Expenditure to 31 st August 2014	1.2
Total Expenditure for 2014/15	1.2
2014/15 LDP estimated Sale Proceeds currently unrealised	0.4

- NHS Borders capital formula allocation for 2014/15 of £2.407m has been supplemented by additional funding of £1m in respect of various commitments including Roxburgh Street Health Centre.
- The capital plan for 2014/15 was agreed at the Board meeting in June.
- The majority of capital expenditure to date is in relation to the Central Energy Efficiency Fund, specifically the installation of new biomass boilers which commenced at the end of last financial year. There has also been investment in new Ultrasound Systems as part of the Medical Equipment Committee rolling programme. Expenditure has also been incurred in relation to backlog maintenance, estates rolling programme and car parking planning works.
- Capital income of £0.2m has been secured from the sale of Fenton Lodge, which was completed in May and this income has been committed.
- Additional sale proceeds of £0.4m were included in the LDP submission made in March 2014 for properties the Board has classified as 'surplus to requirements' and therefore 'held for sale'. Commitments will be made against these proceeds when the sale of each property has been contractually finalised.

4. Efficiency Programme: Savings Targets

	Target	Delivered			Full Year Effect £000s
	Total £000s	Recurring £000s	Non Recurring £000s	Total £000s	
<u>Corporate Services Challenge</u>					
Estates & Facilities	267	267	-	267	-
Director of Workforce	53	53	-	53	-
Public Health	27	27	-	27	-
Planning & Performance	16	16	-	16	-
IM&T	66	66	-	66	-
Finance	40	40	-	40	-
Medical Director	12	12	-	12	-
Integrated Care	4	4	-	4	-
Director of Nursing	26	26	-	26	-
Executive Team & Non Execs	10	10	-	10	-
	521	521	-	521	-
<u>BGH</u>					
Endoscopy Income Generation	90	-	-	-	-
Redesign Outpatients Phase 2	50	-	-	-	-
	140	-	-	-	-
<u>Mental Health</u>					
Various	315	315	-	315	-
	315	315	-	315	-
<u>P&CS</u>					
Dental	100	-	100	100	-
	100	-	100	100	-
<u>Other</u>					
Leased Cars	70	52	-	52	1
Procurement	200	-	-	-	-
Prescribing Discount	50	-	50	50	-
Public Health Interventions	50	-	-	-	-
Allied Health Professionals	60	60	60	120	-
Carbon Emissions	100	100	-	100	-
Capital Productive Gain	50	32	-	32	-
Estates Rationalisation	450	373	-	373	15
Limited Clinical Effectiveness	110	-	-	-	-
Service Management Review	100	-	131	131	-
Management Review (Clinical Boards)	100	77	30	107	-
Nursing Skill Mix Review	165	-	-	-	-
Productivity & Benchmarking	250	-	300	300	-
Productive Series / Releasing Time to Care	50	-	-	-	-
Repatriate Out of Area Placements (LD)	60	60	-	60	-
Shift Patterns	50	-	-	-	-
Targeted Support Services (Clinical)	100	-	-	-	-
Targeted Support Services (Non-Clinical)	200	-	-	-	-
Senior Charge Nurse Programme	330	-	138	138	-
Repatriation of Referrals	150	75	-	75	-
Prescribing Efficiency	450	450	-	450	-
Reduce Travel Costs & Time	50	-	-	-	-
Medical Staffing Models	100	100	-	100	-
Patient Transport	25	30	-	30	-
Rates Rebate	29	-	199	199	-
	-	-	-	-	-
Full Year Gains	200	178	-	178	-
	3,549	1,587	908	2,495	16
Total	4,625	2,423	1,008	3,431	16

- Delivering the Board's efficiency plan of £4.6m is a major element in determining whether a balanced out-turn for 2014/15 will be achieved.
- NHS Borders has withdrawn £3.4m savings from budgets at the end of August as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £2.1m in 2014/15. As at August, £2.4m of recurring savings have been identified and been withdrawn from budgets on a recurring basis.
- Monthly monitoring of the efficiency programme to ensure delivery is being undertaken by the Efficiency Board principally through the use of the Aspyre system.
- Work on releasing the remaining £1.2m of the required efficiency target must continue to be a priority in order that NHS Borders can achieve a balanced financial outturn.
- Although savings schemes have been agreed with relevant managers, it is imperative that these are delivered to ensure they do not impact adversely on operational budgets.

5. Risk

- This section highlights to the Board the key risks the organisation faces in achieving its financial targets for this year based on current information.
- The main risk areas are currently clinical boards (BGH), expenditure on external healthcare providers, GP prescribing and a reduction in income levels received from external purchasers.
- External Healthcare Providers is a continuing pressure area with overspends of £1.5m in 2011/12, £1.0m in 2012/13 and £1.1m in 2013/14. The Commissioning Team work plan includes close monitoring of ECRs, UNPACs and GP out of Area Referrals to ensure only those meeting the referral criteria are approved.
- All Clinical Boards have signed up to a year end forecast position. The significant overspend of £0.9m at the end of August is causing some concern although in recent months the overspend trend has slowed significantly. However the potential challenges of the winter months lie ahead. It is imperative that each Clinical Board is focussed on ensuring that any overspend is eliminated or at worst minimised.
- NHS Borders continues to provide sessions for orthopaedic and colonoscopy patients for NHS Lothian. NHS Borders has committed resources in these areas to support this additional activity as agreed in partnership. However NHS Lothian has indicated that they wish to terminate this arrangement. This will create a significant pressure for NHS Borders.
- NHS Lothian has intimated that details of SLA costs will not be available until January. While NHS Borders has established there will be an activity increase there remains a risk that changes to the cost base in NHS Lothian will further increase the value of this contract.
- NHS Borders provide patient services for Northumberland CCG. Currently the SLA for 2014/15 has not been signed although discussions are ongoing. Activity information available to date indicates a reduction in actual attendances.
- A significant number of efficiency schemes have been agreed with managers and actioned through operational budgets. It is crucial that these projects deliver in order to ensure they do not impact adversely on operational budgets.
- Due to the normal time delay in processing limited information has been received to date on GP prescribing costs. Although prescription volume levels have been slightly below budgeted level there has been a significant increase in the price of certain drugs due to short supply. The price paid to pharmacists for drugs is set nationally. Due to the volatility

of prescribing expenditure over the last few years, this continues to be an area of risk.

- The 2014/15 capital resource limit is fully committed other than anticipated sales proceeds of £0.4m. Given the depressed state of the property market there is a risk that not all surplus properties will sell during the current financial year.